

EMINENT DOMAINS

NEW "CYBERSQUATTING" LAW AIDS IN PIRATE PROSECUTIONS

LORI LESSER¹

SIMPSON THACHER & BARTLETT LLP

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On November 29, 1999, President Clinton signed Public Law 106-113, an appropriations bill that near its end enacted into law a Senate bill (S.1948) designed to help U.S. trademark owners and famous persons combat domain name pirates.

In sum, domain name pirates register well-known trademarks or celebrities' names as domain names, and then attempt to "ransom" them to their rightful owners or just the highest bidder. Piracy exists, because the U.S. domain name registries do not act as courts and assess parties' trademark rights when they process domain name applications. Rather, domain names are awarded simply on a first-come, first-served basis.² If trademark owners later discover the wrongful use of their marks as domain names, they must utilize the registries' dispute resolution policies or the courts to secure their return.

The new legislation, called the Anticybersquatting Consumer Protection Act, adds Section 43(d) to the Lanham Act (the U.S. Trademark Act of 1946, as amended, 15 U.S.C. § 1051 *et seq.*), to create a civil cause of action for "cybersquatting" distinctive or famous trademarks.³ It also creates a Federal cause of action, although not expressly under the Lanham Act, for registering individuals' personal names as domain names without their permission.

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- ¹ Lori Lesser is a senior associate in the New York office of Simpson Thacher & Bartlett, specializing in Internet and intellectual property law.
 - ² See *Worldsport Networks Ltd. v. Artinternet S.A.*, Civ. A. 99 Civ-616, 1999 WL 269719 (E.D. Pa. 1999) at *1 (noting that domain name registrar Network Solutions, Inc. "does not analyze proposed domain names to determine whether they infringe the rights of others," relying on applicants' statements that their application is not for unlawful or improper purposes).
 - ³ Section 43 of the Lanham Act, 15 U.S.C. § 1125, already covers trademark infringement, false advertising and unfair competition (Section 43(a)) and dilution of famous trademarks (Section 43(c)). Previous piracy cases were brought under these sections, because plaintiffs alleged that their marks were being infringed or diluted.

Protection of Trademarks

The new Section 43(d) of the Lanham Act provides that a person faces civil liability to the owner of a trademark (including a personal name that serves as a trademark)⁴ if, without regard to the goods and services of the parties, such person:

- (i) has a bad faith intent to profit from a mark; and
- (ii) registers, traffics in, or uses a domain name that:
 - (a) is identical or confusingly similar to an already-distinctive trademark;
 - (b) is identical, confusingly similar to or dilutive of an already-famous trademark; or
 - (c) infringes the “Red Cross” or various “Olympics”-related marks.

Section 43(d)(1)(A)(i) and (ii).

The “bad faith” requirement reflects the reality that parties’ rights in domain names often produce legitimate conflict. For example, in *Hasbro, Inc. v. Clue Computing, Inc.*, 66 F. Supp.2d 117 (D. Mass. 1999), the Court held that Clue Computing, a Colorado computer firm, did not infringe or dilute Hasbro’s famous trademark for the board game “Clue” by operating a company web site under www.clue.com. The Court granted summary judgment to Clue Computing, finding, *inter alia*, that the company did not select www.clue.com in bad faith, that actual confusion was absent, and that consumers could discern a computer company from a board game. 66 F. Supp.2d at 123-25.

The new law provides that courts may consider, in assessing the “bad faith” of a person who has registered another person’s trademark as a domain name, the distinctiveness or fame (or lack thereof) of the trademark at issue (Section 43(d)(1)(B)(i)(IX)), as well as whether such person:

- (I) has any trademark or other rights in the domain name (e.g., the Clue case);
- (II) has a legal or commonly-used name matching the domain name;⁵

⁴ A personal name is not protected *ab initio* as a trademark, but can become one if the name is used in connection with sales of goods or services (e.g., Donna Karan, Charles Schwab).

⁵ For example, the father of 22-month-old Veronica Sams reportedly registered veronica.org on her behalf, but pulled the site when lawyers for “Archie” Comics threatened a trademark suit, based on the strip’s popular Veronica character. Sonya Colberg, *Tulsa, Okla., Man. Sells Internet Domain Name to*

(III) has used the domain name for bona fide offers of goods or services (see (I) above);

(IV) is making “fair use” of the mark in a site using the domain name;⁶

(V) intended to divert consumers to a site that could harm a trademark’s goodwill, either for commercial gain or with the intent to tarnish or disparage the mark, by creating a likelihood of confusion as to source, sponsorship, affiliation or endorsement of the sites;⁷

(VI) offered to sell the domain name without having used it;

(VII) provided material false contact information in its domain name application or has prior conduct indicating a pattern of such conduct;⁸ and

California Company, Knight-Ridder Tribune Business News, Tuesday, Nov. 23, 1999, available in Westlaw ALLNEWS database, 1999 WL 28710727. (The merits of Archie’s claim are questionable in light of the *Avery Dennison* case, discussed *infra*; however, one can understand the family’s aversion to litigating the issue.)

Similarly, the administrative panel deciding the first domain name piracy case under the new uniform rules (*see n. 19, infra*) noted that the disputed domain name “is not, nor could it be contended to be, a nickname of respondent or other member of his family, the name of a household pet, or in any other way identified with or related to a legitimate interest of respondent.” WIPO Arbitration and Mediation Center, Administrative Panel Decision, *World Wrestling Federation Entertainment, Inc. v. Michael Bosman*, Case No. D99-0001 (Jan. 14, 2000).

- ⁶ See *Bally Total Fitness Holding Corp. v. Faber*, 29 F. Supp.2d 1161 (C.D.Cal. 1998) (finding no infringement or dilution when Mr. Faber operated www.ballysucks.com to invite complaints about the Bally health club).
- ⁷ See *Planned Parenthood Fed. of Amer., Inc. v. Bucci*, 1997 WL 133313, 42 U.S.P.Q.2d 1430 (S.D.N.Y. 1997) (enjoining right-to-life web site at www.plannedparenthood.com; Planned Parenthood operated www.plannedparenthood.org), *aff’d*, 152 F.3d 920 (2d Cir.), *cert. denied*, 119 S.Ct. 90 (1998); and *Jews for Jesus v. Brodsky*, 993 F. Supp. 282 (D.N.J. 1998) (enjoining Brodsky from operating web site at www.jewsforjesus.org linking users to Outreach Judaism Organization), *aff’d*, 159 F.3d 1351 (3d Cir. 1998).
- ⁸ See, e.g., *Intermatic Inc. v. Toeppen*, 947 F. Supp. 1227 (N.D.Ill. 1996) (finding trademark dilution under state and Federal law for registration of intermatic.com; Toeppen had registered 240 domain names, including deltaairlines.com, eddiebauer.com and neiman-marcus.com); *Panavision Int l, L.P. v. Toeppen*, 141 F.3d 1316 (9th Cir. 1998) (same; affirming dilution finding for Toeppen’s registration of panavision.com); *In re Tentative Agreements among ICANN, et al.*, Comment of the Staff of the Bureau of Consumer Protection of the Federal Trade Commission, Oct. 29, 1999 (noting that domain name policing is hampered by applicants providing false contact information to registries), available at www.ftc.gov/os/1999/9910/icann.htm.

(VIII) registered or acquired multiple domain names that he knows are identical or confusingly similar to already distinctive or famous marks (see (VII) above).

Section 43(d)(1)(B)(i)(I)-(VIII). Despite this nine-factor analysis, domain name registrants shall not be found in “bad faith” under the new law if a court determines that, in their case, they had reasonable grounds to believe their use of a domain name constituted “fair use” or was otherwise lawful. (Section 43(d)(1)(B)(ii))

The new Section 43(d) allows the same types of recoveries and relief available to trademark owners under Section 43(a) – injunctive relief (including forfeiture, cancellation or transfer of the domain name), damages, defendant’s profits, costs, and in exceptional cases, attorneys’ fees and treble damages. (See Section 43(d)((1)(C) and Section 3003(a) of new law, amending Sections 34(a) and 35(a) of the Lanham Act.)

The new law also allows the injured party to elect to recover, rather than actual damages, statutory damages of \$1,000 to \$100,000 per domain name, as the court considers just.⁹ The new law does not affect the available Lanham Act defenses to defendants, such as “fair use” or exercise of First Amendment rights.¹⁰ (Section 3008) It covers domain names registered before, on or after its enactment date, but damages under Section 35(a) of the Lanham Act are available only for domain names used, trafficked or registered on or after such date. (Section 3010)

To assist the pursuit of off-shore web sites and foreign pirates, the law provides for *in rem* jurisdiction over domain names that violate registered U.S. marks or marks protected under Section 43(a) or (c) of the Lanham Act, if the alleged cybersquatter is (i) not subject to personal jurisdiction or (ii) cannot be located after appropriate due diligence by the trademark owner. (Section 43(d)(2)(A)) While a Federal court recently struck down the theory of *in rem* jurisdiction for a mass domain name infringement lawsuit,¹¹ under the new law, the trademark

⁹ The U.S. copyright laws have long allowed plaintiffs to elect to recover statutory damages, now set at \$750-\$30,000 for all infringements with respect to any one work, as an option when the actual monetary loss suffered is small or speculative. See 17 U.S.C. § 504(c)(1).

¹⁰ See *Bally*, 29 F. Supp.2d at 1165 (noting that Mr. Faber was “exercising his right to publish critical commentary about Bally,” which required “making reference to Bally” in the site).

¹¹ See *Porsche Cars North America, Inc. v. Porsch.com*, 51 F. Supp.2d 707 (E.D.Va. 1999) (dismissing complaint against two defendants for lack of personal jurisdiction; rejecting Porsche’s attempt to invoke *in rem* jurisdiction to prosecute 128 infringing domain names).

owner may now sue a domain name pirate, using *in rem* jurisdiction, in the judicial district where the domain name registrar, registry or authority is located. (*Id.*)¹²

In such *in rem* actions, without limiting civil actions or remedies otherwise available, a trademark owner can receive only a court order to forfeit, cancel or transfer the domain name registration. (Sections 43(d)(2)(D)(i) and 43(d)(3)) Yet, this is often the primary relief sought, and can be the only relief that is feasible if one's trademark is being infringed by an Internet site run by a barely-solvent, untraceable company with no U.S. contacts.

Protection of Personal Names

A provision of the new law also creates civil liability, although not expressly under Section 43 of the Lanham Act, for pirating famous persons' names. It provides that persons are liable in a civil action for registering as a domain name "the name of another living person or a substantially and confusingly similar name," without that person's permission, with the specific intent to profit by selling that domain name to that person or a third party. (Section 3002(b)(1)(A)) The new law provides remedies of injunctive relief, forfeiture or cancellation of the domain names, and, at the court's discretion, costs and attorneys' fees. (Section 3002(b)(2)) The section on personal names applies to domain names registered on or after the date the law was enacted.

This "personal names" provision is not tied to Section 43(d) of the Lanham Act, which protects trademarks, but provides a separate Federal right. As such, it will enable persons to sue to protect their own names, even if their names have not gained trademark status by being used in connection with goods and services. For example, while many athletes, celebrities and designers have trademark rights in their names (*e.g.*, Michael Jordan, Oprah, Versace), many famous politicians and business leaders do not (*e.g.*, presidential candidates), absent running an eponymous foundation or company (*e.g.*, Rockefeller, Trump).¹³ This new provision will help the latter individuals sue pirates who register their names as domain names, purely to ransom them. While celebrities could always sue under state right-of-publicity laws, such as New York Civil Rights Law Section 51, these protections differ in various states, do not offer the Lanham

¹² Trademark owners should find these fora convenient, because the major U.S. domain name registries (*e.g.*, Network Solutions, Inc., America Online and register.com), are in Northern Virginia or New York City, and others are located in San Diego and other major U.S. cities.

¹³ It is amusing to imagine a political candidate's argument that he is offering "legislative or executive services in commerce" under his or her name, and therefore, is entitled to service mark protection against confusingly similar candidates.

Act's breadth of relief, and as state-law rights, do not support a suit in Federal court, often the preferred forum for such disputes.¹⁴

Some celebrities have already sued personal name pirates. Barry Diller of USA Networks sued in state court in New York last June, alleging violations of both state civil rights laws and state trademark laws, when a pirate registered www.barrydiller.com and attempted to sell it for \$10 million.¹⁵ As of this writing, the site is still active and states "Under Construction" in 11 languages. Meanwhile, movie star Brad Pitt has sued the registrant of www.bradpitt.net under the new law, filing a complaint only five days after its enactment.¹⁶

The new law may not cure all piracy in this category; however, because it holds liable only persons who register domain names "with the specific intent to profit from such name by selling the domain name for financial gain." (Section 3002(b)(1)(A)) Clever lawyers will argue that their clients were merely overzealous fans or charities that registered the names in the hopes of soliciting a donation, which is not a sale. The law also excepts from liability -- under this section but not elsewhere under the trademark or other laws -- those who register personal names in good faith and own the copyright in a work using or affiliated with the names (*e.g.*, a movie studio's site under an actor's name to promote a film), absent a contract between such parties to the contrary. (Section 2002(b)(1)(B))

Analysis

The "cybersquatting" law, the basis of at least two Federal lawsuits by now,¹⁷ is a welcome supplement to existing trademark law for several reasons.

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- ¹⁴ Meanwhile, the State of Illinois is currently considering legislation to amend its state trademark laws to cover, *inter alia*, bad-faith use of domain names. See H.B. 2995, introduced Dec. 2, 1999.
- ¹⁵ See *Barry Diller and USA Networks, Inc. v. Steurken, et al.*, Index No. 603038/99 (N.Y. Sup. Ct. (N.Y. Cty.), comp. filed June 23, 1999; default judgment order entered against defendants Nov. 17, 1999). Showing bipartisan spirit, the defendants had also registered www.votebillbradley.com and www.votedanquayle.com, among other candidates, as well as nine celebrities' names with .com and more than 30 company or brand names followed by sucks.com.
- ¹⁶ *Pitt v. Alzarooni*, 99-12626 GAF (C.D. Cal., comp. filed 12/2/99). Apparently, www.bradpitt.com is also being offered for sale.
- ¹⁷ *Peterson Publishing Co. v. Blue Gravity Communications*, 1:00 c.v. 78 (D.N.J., temporary restraining order issued Jan. 6, 2000) (finding violation of new law by use of trademark TEEN MAGAZINE as domain name for hard-core pornography site); *Shopnow.com v. Ishopnow.*, C99-2082 (W.D. Wash., complaint filed Dec. 23, 1999) (alleging violation of new law with respect to SHOPNOW mark by use of domain name ishopnow.com).

Faster results. Before the new law, trademark owners generally could not sue for infringement until a domain name pirate (i) activated a web site under their marks, or (ii) offered to sell the domain name. If the pirate had only registered the mark with a domain name registrar, courts had held that the pirate was not yet “using” the mark in a trademark sense, negating any infringement liability at such time.¹⁸ Absent a public site or domain name sale, the public would not even know of the pirate’s registration – unless someone checked the registrar’s on-line database – and thus at that point, no harm, no foul.

The new law suggests, however, that registration alone of a domain name could violate Section 43(d) of the Lanham Act, particularly for a repeat offender, thereby allowing some trademark owners to prosecute pirates more quickly. Similarly, the Internet Corporation for Assigned Names and Numbers’ (“ICANN”) new Uniform Domain Name Dispute Resolution Policy also offers a speedier resolution of domain name disputes, for domains registered and used in bad faith.¹⁹ The policy states that registration primarily to sell a name or to interfere with a competitor, *inter alia*, shall be evidence of such bad faith.²⁰

Assured Jurisdiction. As noted in the *Porsche* case, *in rem* jurisdiction is often the most convenient way for a trademark owner to prosecute multiple domain name thefts. In addition, personal jurisdiction over foreign web site operators may not always be possible. Courts have haled domain name pirates into distant states to defend infringement cases, but these were U.S.-based defendants.²¹ For off-shore infringing sites, a court’s finding personal jurisdiction might be meaningless, absent U.S. corporate officers to serve or U.S. corporate property to attach.

¹⁸ See *HQM, Ltd. v. Hatfield*, 71 F. Supp.2d 500 (D. Md. 1999) (dismissing complaint; registration of hatfield.com not trademark “use” of mark); *Academy of Motion Picture Arts and Sciences v. Network Solutions, Inc.*, 989 F. Supp. 1276 (C.D.Cal. 1997) (denying injunctive relief; registration of “oscar.net” and “academyaward.com” alone not commercial use). But see *Minnesota Mining and Mfg. Co. v. Taylor*, 21 F. Supp.2d 1003 (D. Minn. 1998) (enjoining use of “post-its.com” by pirate who registered domain name and attempted to sell it).

¹⁹ See Uniform Domain Name Dispute Resolution Policy (as approved by ICANN on October 24, 1999), available online at www.icann.org/udrp/udrp-policy-24oct99.htm.

²⁰ In the first decision under the new policy, the administrative panel found that the respondent had acted in bad faith by registering the domain name “www.worldwrestlingfederation.com” without operating an active site or having any legitimate interest in the mark. Further, he had offered to sell the name to the proper trademark owner only three days after registering it. See *World Wrestling Federation Entertainment, Inc., supra*, n. 5.

²¹ See *Purco Fleet Serv., Inc. v. Towers*, 38 F. Supp.2d 1320 (D.Utah 1999) (finding personal jurisdiction over Florida corporation that registered and attempted to sell web site under Utah competitor’s name); *Panavision, supra*; 938 F. Supp. at 620-21 (finding personal jurisdiction, because Toeppen aimed his pirating conduct at California corporation).

Despite the new law's benefits, it is not an enforcement panacea; trademark owners must continue their vigilance in terms of obtaining trademark and domain name registrations.

File early, file often. For example, as noted in the *Clue* case, several parties may have a legitimate claim to a domain name, if they use the same mark in different fields, and the domain names are for now awarded first-come, first-served. Note that www.delta.com is not owned by Delta Airlines, but by Delta Financial Corporation; Delta Airlines owns www.deltaairlines.com. The search engine Alta Vista for years used www.altavista.digital.com, because altavista.com was owned by Altavista Technology, Inc., a California-based software company that reportedly sold the domain name to Compaq Corp. (Digital's new owner) in 1998 for \$3.3 million.²²

Moreover, a trademark that is also a dictionary word may be registered by a person who is capitalizing on its generic, but not trademark, sense, potentially defeating an infringement claim. In *Avery Dennison Corp. v. Sumpton*, 189 F.3d 868 (9th Cir. 1999), the Ninth Circuit reversed summary judgment for the owner of the AVERY DENNISON trademark, who had sued a service that registered avery.com and dennison.com as part of its business of registering thousands of common surnames and then selling them as vanity e-mail addresses. The Court found, *inter alia*, that the vanity company had not made commercial use of plaintiff's marks. 189 F.3d at 880.

Protect Trademarks and Domain Names. While domain names can infringe or dilute trademarks, but they are two different things. A trademark is the substantive right acquired when a person uses a word, logo or other source indicator in commerce to sell goods and services. A trademark need not be registered, but registration at the U.S. Patent and Trademark Office ("PTO") confers important rights, such as the presumptive priority to use the mark in all 50 states. A domain name registration means, similar to obtaining corporate names with a secretary of state, merely that the exact domain name sought was available at that registry. It confers no substantive rights, and a domain name owner can easily discover later that the name infringes someone else's trademark.

Therefore, one should not apply for a domain name without performing a trademark "clearance search" to ensure that such name will not infringe any third-party trademarks. In addition, if one plans to use a "cleared" domain name in connection with an active web site, one should apply to register at the PTO such domain name and any other marks and logos used on the site, to maximize one's rights position.

A more detailed discussion of trademark and domain name prosecution is beyond the scope of this article. While faster, cheaper resolution of domain name disputes will one day rob

²² "Domain Naming," *ComputerWorld*, Sept. 27, 1999; Andrew Marlatt, "The Million-Dollar Name Game," *Internet World*, Aug. 1, 1999.

irates of their incentives in this regard, a proactive and aggressive trademark offense remains one's best trademark defense.